

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H692-TJ

Financing Agreement

(Second Dushanbe Water Supply Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 2011

GRANT NUMBER H692-TJ

FINANCING AGREEMENT

AGREEMENT dated July 13, 2011, entered into between the REPUBLIC OF TAJIKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to ten million one hundred thousand Special Drawing Rights (SDR 10,100,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is US Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions, the Project Agreement, the Project Operational Manual, the EMMP and the Operational Performance Improvement Action Plan.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Operational Manual shall have been amended, suspended, abrogated or waived without the Association's prior consent.
 - (b) The Operational Performance Improvement Action Plan shall have been amended, suspended, abrogated or waived without the Association's prior consent, and/or the Project Implementing Entity and/or the Municipality of Dushanbe has not been acting in compliance with the Operational Performance Improvement Action Plan.
 - (c) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: any event specified in paragraphs (a), (b) and (c) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Subsidiary Agreement has been executed on behalf of the Recipient, the Project Implementing Entity and the Municipality of Dushanbe.
- (b) The Recipient shall have caused the Project Implementing Entity to adopt the Project Operational Manual, satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

- (a) The Subsidiary Agreement has been duly authorized or ratified by the Recipient, the Project Implementing Entity and the Municipality of Dushanbe and is legally binding upon the Recipient, the Project Implementing Entity and the Municipality of Dushanbe in accordance with its terms.
- (b) The Project Agreement has been duly authorized or approved by the Project Implementing Entity and is legally binding upon the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
3 Akademikov Rajabovikh Ave.
Dushanbe, 734025
Republic of Tajikistan

Facsimile:

(992-372) 213329 or
(992-372) 221-6796

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Dushanbe, Republic of Tajikistan, as of the day and year first above written.

REPUBLIC OF TAJIKISTAN

By /s/ Safarali Najmiddinov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marsha Olive

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in improving water utility performance and water supply services in selected areas of Dushanbe.

The Project consists of the following parts:

Part A: Metering and Demand Management

1. Carrying out installations of water meters to improve water revenue collection and to reduce water wastage through:

- (a) installing approximately seventy-six thousand five hundred (76,500) water meters in residential homes;
- (b) installing approximately one thousand five hundred (1,500) master meters in apartment buildings located in selected areas of Dushanbe City;
- (c) rehabilitating approximately one thousand five hundred (1,500) service connections for master meters to be installed at apartment buildings;
- (d) installing bulk flow meters at water production facilities;
- (e) installing a network information system to monitor and control water usage as well as to reduce water wastage;
- (f) formulating and promulgating a communication strategy and public awareness campaign to manage the demand for water; and
- (g) installing a supervisory control and data acquisition system (SCADA).

Part B: Water Quality Improvement

Carrying out system upgrades to improve the quality of water, including rehabilitation of the filtration capacity at the Samatechnaya Water Treatment Plant, cleaning the water distribution networks, installing water re-chlorination systems, installing equipment for water quality monitoring, reconstruction of a pumping station and tanks at the Napornaya Water Treatment Plant and procurement of maintenance equipment.

Part C: Institutional Strengthening and Capacity-Building

1. Provision of technical assistance to build institutional capacity of the Project Implementing Entity to collect water revenue through metered and automated systems.

2. Carrying out studies, training and workshops for building the institutional capacity of the Project Implementing Entity, including: (a) carrying out an assessment of the Project Implementing Entity's organizational and capacity-building needs; (b) modernizing the Project Implementing Entity's accounting, billing and water revenue collection systems; (c) carrying out training for the Project Implementing Entity's corporate development and financial performance; and (d) carrying out studies for the improvement of the Project Implementing Entity's operations.
3. Providing technical assistance for hydraulic modeling and design of pressure zones and SCADA.

Part D: Project Implementation Support

Provision of technical assistance to the Recipient for Project management, monitoring and evaluation, as well as for Project activities pertaining to procurement and financial management, including the design and supervision of works as well as the carrying out of Project audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Financing, Institutional and Other Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity on a grant basis, under a Subsidiary Agreement to be entered into between the Recipient, the Project Implementing Entity and the Municipality of Dushanbe, under terms and conditions approved by the Association, which shall include the following, namely, that the Subsidiary Grant shall be denominated in US Dollars.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall not assign, amend, arrogate, or waive the Subsidiary Agreement or any of its provisions without prior approval by the Association.

3. The Recipient shall review, in accordance with established procedures, the periodic proposals for tariff adjustments submitted by the Project Implementing Entity at least annually, and thereafter, the Recipient, jointly with the Municipality of Dushanbe, shall promptly take action, in accordance with the applicable laws of the Republic of Tajikistan, to adjust said tariffs so that the Project Implementing Entity can meet its obligations by collecting sufficient revenues to cover operation and maintenance costs and other expenses.

4. The Recipient, jointly with the Municipality of Dushanbe, shall cause the Project Implementing Entity to implement the Operational Performance Improvement Action Plan in a timely and satisfactory manner.

5. The Recipient shall take all measures necessary to ensure that the Municipality of Dushanbe and the national government agencies shall, after review of the forecast amount of water consumption prepared by the Project Implementing Entity every six (6) months: (a) allocate in the relevant operating budgets of municipal entities adequate funds for payment of water fees; and (b) ensure that said funds are paid.

6. The Recipient shall, and shall cause, the Municipality of Dushanbe to take all measures necessary to ensure that the Project Implementing Entity is able to collect water fees from its customers.

7. The Recipient shall cause the Municipality of Dushanbe to take all measures necessary to ensure appropriate yearly local budgetary allocations required for Project implementation.

8. The Recipient shall ensure that all measures necessary for carrying out the EMMP, the Resettlement Policy Framework and the Resettlement Action Plan(s) shall be taken in a timely manner.

9. The Recipient shall not assign, amend, arrogate, or waive the Resettlement Policy Framework, the Resettlement Action Plan and/or EMMP or any of their provisions, without prior approval of the Association.

10. The Recipient shall: (i) ensure that no civil works for the Project will be carried out on those sites where land acquisition or resettlement of residents is required to proceed with Project activities, unless and until the Project Implementing Entity shall prepare, disclose and publish a Resettlement Action Plan for such sites, in accordance with the Resettlement Policy Framework and satisfactory to the Association; and (ii) carry out any resettlement or land acquisition with due care and in accordance with the Recipient's applicable legal and institutional framework, and with a respective Resettlement Action Plan.

11. The Recipient shall ensure that the Project Implementing Entity shall prepare and furnish to the Association by November 30 in each year, for the Association's review and concurrence, an annual work program for the Project for the following calendar year, including procurement and financing plans.

12. Not later than thirty (30) days after the Effective Date, the Recipient shall cause the Municipality of Dushanbe to provide financing to the Project Implementing Entity in an amount equivalent to three million US Dollars (US\$3,000,000) from the said Municipality's own resources on terms and conditions acceptable to the Association to cover the projected counterpart financing requirements.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, jointly with the Municipality of Dushanbe, shall monitor and evaluate the progress of the Project and shall cause the Project Implementing Entity to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project

Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. No later than December 31, 2013, the Recipient shall cause the Project Implementing Entity to carry out jointly with the Association, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:

- (a) Progress made in meeting the Project's objectives; and
- (b) Overall Project performance against the Project performance indicators;

3. The Recipient shall cause the Project Implementing Entity to prepare at least four (4) weeks prior to the Midterm Review and furnish to the Association, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

4. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months prior to the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient, jointly with the Municipality of Dushanbe, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding for works, subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality-Based Selection
(b)	Selection Under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection Based on the Consultants' Qualifications
(e)	Single-Source Selection
(f)	Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, Works, Consultants' Services and Non-Consulting Services for Parts A and B of the Project	6,870,000	78%
(2) Goods, Works, Consultants' Services and Operating Costs, including Audit and Training, for Parts C and D of the Project	3,230,000	100%
TOTAL AMOUNT	<u>10,100,000</u>	

For the purposes of this Schedule:

(a) the term "training" means expenditures for Project related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers; and

(b) the term "operating costs" means operating expenditures incurred by the Project Implementing Entity on account of Project management and implementation, communications, utilities, printing and publications, office rent, maintenance and supplies, office security systems, vehicle operation and maintenance, and transportation and field trip expenses, as well as such other expenditures as may be agreed upon by the Association, but excluding salaries of staff of the Recipient's civil service and the Project Implementing Entity.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2015.

**ANNEX
to
SCHEDULE 2**

National competitive bidding procedures of the Recipient may be used for procurement of works under the Project provided that the following provisions are complied with:

1. Works, for which this Agreement allows procurement under paragraphs 3.3 and 3.4 of the Procurement Guidelines, shall be procured in accordance with the provisions of the Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services”, dated March 3, 2006 (“the Law”). These provisions, in order to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of the Guidelines (as required by paragraphs. 3.3 of the Guidelines), shall be modified as set forth in the following paragraphs.

Entity responsible for carrying out the procurement

2. The procurement shall be carried out by the “procuring entity”, as defined in Article 9 of the Law, without any involvement of the Authorized Body on Public Procurement (as referred to in Article 3 of the Law).

Participation in bidding

3. Government-owned enterprises in Tajikistan shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity (as defined in the Law).

4. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. In particular, no domestic preference over foreign shall be granted to local bidders in bid evaluation.

Advertising: time for bid preparation

5. Invitations to bid shall be advertised in at least one (1) widely circulated national newspaper, allowing a minimum of thirty (30) days for the preparation and submission of bids.

Standard bidding documents

6. Until a modified version of the Recipient’s standard bidding documents has been approved by the Association, the Association’s sample NCB bidding documents for the Europe and Central Asia Region shall be used.

Qualification criteria and evaluation criteria

7. Qualification criteria shall be clearly specified in the bidding documents, and criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as non-qualified. Qualifications of a bidder found to meet the specified qualification criteria shall not be taken into account in the evaluation of such a bidder's bid.

8. Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. Evaluation criteria so specified, and only criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation.

Bid security

9. For the procurement of goods and works, bidders shall be required to submit a bid security in the amount and in the form specified in the bidding documents, unless otherwise agreed with the Association. A bid security in the form of an advance bank transfer shall not be allowed.

Bid submission and bid opening

10. Bids may be delivered by mail or by hand. Bids shall be opened immediately after the deadline for bid submission in the presence of the bidders who wish to attend. Said deadline and the place of bid opening shall be announced in the invitation to bid. The name of each bidder and the amount of its bid, shall be read aloud and recorded when opened in the minutes of bid opening. The minutes of bid opening shall be signed by the members of the bidding committee immediately after bid opening.

11. Bids received after the deadline for bid submissions shall be returned to the bidders unopened.

Bid evaluation and award of contracts

12. Bidders shall not be allowed to be present during bid evaluation, and no information relating to the evaluation of bids shall be disclosed to bidders until the successful bidder is notified of the award.

13. A bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened.

14. Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts should be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

15. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

16. There shall be no post-bidding negotiations between the purchaser and the lowest or any other bidder.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006 and May 2010.
4. “DVK” means Dushanbe Vodokanal State Unitary Enterprise, a legal entity established under Decision No. 45 of the Mayor of Municipality of Dushanbe, dated May 3, 2002, and registered in the State Statistical Agency of the Recipient (#850), dated May 6, 2002, and in the notary’s office of the Ministry of Justice of the Recipient (#4/g-47), dated May 7, 2002, or any successor thereto.
5. “EMMP” means the environmental management and monitoring plan, satisfactory to the Association, adopted by the Project Implementing Entity on January 25, 2011, setting forth measures to mitigate any adverse impacts to the environment.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
7. “Municipality of Dushanbe” means the City of Dushanbe of the Recipient, or any successor thereto.
8. “Operational Performance Improvement Action Plan” means the action plan to improve the financial and technical performance of the Project Implementing Entity to be approved by the Project Implementing Entity and the Municipality of Dushanbe pursuant to Section I.A.3 of the Schedule to the Project Agreement, as the same may be amended from time to time with the agreement of the Association.
9. “PMC” means the Project Management Consultant to be appointed by the Project Implementing Entity for the purpose of Project coordination, implementation and management pursuant to Section I.A.9 of the Schedule to the Project Agreement.

10. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006 and May 2010.
11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 19, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Project Implementing Entity” means DVK, or any successor thereto.
13. “Project Implementing Entity’s Legislation” means Decision No. 45 of the Mayor of Municipality of Dushanbe, dated May 3, 2002, and registered in the State Statistical Agency of the Recipient (#850), dated May 6, 2002, and in the notary’s office of the Ministry of Justice of the Recipient (#4/g-47), dated May 7, 2002, or any successor thereto.
14. “Project Operational Manual” means the project operational manual to be adopted by the Project Implementing Entity pursuant to Section 5.01(b) of this Agreement and which shall include the Financial Management Manual and the Procurement Manual.
15. “Resettlement Action Plan” or “RAP” means the resettlement action plan(s) to be prepared by the Project Implementing Entity pursuant to paragraph 7 of Section I.A of Schedule 2 to this Agreement.
16. “Resettlement Policy Framework” means the resettlement policy framework prepared and disclosed by the Project Implementing Entity on January 25, 2011, pursuant to paragraph 8 of Section I.A of Schedule 2 to this Agreement defining the modalities for acquiring and allocating land, resettlement and rehabilitation of displaced persons.
17. “Subsidiary Agreement” means the agreement to be entered into between the Recipient, the Project Implementing Entity and the Municipality of Dushanbe pursuant to Section 5.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement, and pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
18. “Subsidiary Grant” means the Subsidiary Grant provided under the Subsidiary Agreement.